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AUTHOR Johnstone, D. Bruce
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ABSTRACT

Principles underlying state, federal, institutional, and family policies and practices toward student financial aid in the United States and five adverse forces that work against these principles are considered by the president of the State University of New York, College at Buffalo. The principles concern: access to higher education, including private institutions; matriculating students regardless of their ability to pay for college and price discounting for some of these students; parent and student financial responsibilities; and state and federal government roles in providing financial support. The five forces are: (1) the serious eroding of the assumption of parental financial responsibility; (2) seeming loss of public (taxpayer) support for the goal of federal financial aid or for maintaining the current federal share of college costs; (3) crumbling of the old college compact that once agreed to avoid price warfare and to concentrate available resources on the needy; (4) increasing vulnerability of the entire financial aid system, and possibly of entire higher educational sectors, to the methodology and timing of financial aid awards; and (5) intersector rivalries. Attention is directed to the likely effect of these forces, particularly on the current balance of financial responsibility among parent, student, and taxpayer. (SW)

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Looking Toward Financial Aid's Future

D. Bruce Johnstone

Abstract

This paper was the College Scholarship Service sponsored address presented in Boston at the Annual Conference (May 6, 1985) of the Eastern Association of Student Financial Aid Administrators. The author first summarized six principles that have undergirded state, federal, institutional, and family policies and practices toward student financial aid in the U.S., and then suggested and discussed five forces today responsible for "fraying--or even eroding" these principles. These five forces are: (1) the serious eroding of the bedrock assumption of parental financial responsibility; (2) seeming loss of public (taxpayer) support for the very goal of federal financial aid or even for maintaining the current federal share of college costs; (3) crumbling of the old college compact ("the cartel") that once agreed to avoid price warfare and to concentrate available resources on the needy; (4) increasing vulnerability of the entire financial aid system, and possibly even of entire higher educational sectors, to the particular methodology, including the timing, of determining and revealing needs and awards; and (5) inter-sector rivalries. The paper ends with the authors assessment of the likely effect of these forces, particularly on the current balance of financial responsibility among parent, student, and taxpayer, and with some advice to the financial aid profession.

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LOOKING TOWARD FINANCIAL AID'S FUTURE

CSS - EASFAA Conference
Boston, May 6, 1985
D. Bruce Johnstone
President, Buffalo State College

Saying "yes" to the invitation to be the CSS-sponsored speaker at this conference of EASFAA was relatively easy. I like Boston and always relish the prospect of coming here with my way paid. I've also a few things to say about financial aid, even if I (and others) have said most of them before. I also like financial aid administrators. Though I've never been one, I have dined and drank and danced and debated with them, and they (you) are by-and-large an intellectually lively and thoroughly professional lot of colleagues. Finally, I think it was late February when I was extended the invitation, and the prospect at the time of going almost anywhere away from the snows of Buffalo must have seemed promising.

Getting into the topic, however, proved more daunting than almost any talk I have given in a long time. After all, I am nothing but a theoretician of financial aid and a president of a college: a dangerous combination when we may be talking about $25-30 billion in parental contribution, $15-16 billion in student aid, and some 4 or 5 million students (give or take a couple of million) in the system. I am on reasonably sure ground when I am giving a short talk to young people or to their parents, or to some U.S. Senators or to a new member of Secretary Bennett's team, none of whom are expected to know all that much about student assistance.

But one and one-half hours to a bunch of seasoned, battle-weary professionals is something else, particularly when I am supposed to talk about you and your profession. It's not so much that I might make a mistake or say something totally outrageous--although the potential is surely there. My stumbling block, rather, is the great difficulty of saying something that has not already, and even recently, been said--and been said with style, insight, and special authority. I went through my eight foot bookshelf of reports, books, monographs, papers, and articles about financial assistance. NASFA, the National Commission on Student Financial Assistance, the National Student Aid Coalition, the Department of Education, ACE, AASCU, and the other One Dupont Circle associations, Huff and Fenske, NYSHESC, The College Board, and CSS, with its year-long agenda on it's 30th anniversary and where it can or should go next: I went through it all in search of something that was both useful and not yet conventional wisdom.

Thus, I shall <u>not</u> talk to you about:

- the disastrous impact on students and schools alike--and especially upon low income youth aspiring to a high-price independent college--of the Administration's newest proposals, such as its refusal to acknowledge costs in excess of $8000 a year; or

- the need to bring some reason, order, and economic discipline to our $8 billion GSL program--or even how to do it; or

- the need for financial aid officers to become information systems specialists, lobbyists, enrollment managers, family crisis counselors, and good bookkeepers; or

- the need to provide prospective students (and extending down into the middle school years) with early, clear, and certain information on whether or not a particular college would be affordable for the particular student and family.

It's not that these are not some of the critical issues facing financial aid. They are. But you also have your eight-foot bookshelves, much of which is about these very topics, and the odds must be quite against my being able to say anything that is both useful and non-redundant.

But enough of apologies and of what I shall not talk of. What I shall do is talk of the future--both the future of financial assistance and of the public and institutional policy that shapes it, and of the future of the profession and the professionals that today make "it" (that public and institutional policy) happen. I shall do so from my vantage point as a

long-time student of our public policy toward student financial assistance, as a professor of the economics and finance of higher education, and as a college president able at least on certain occasions to carry some theory into practice.

I should say that I bring no particular institutional or associational perspective unless by happenstance. Although I serve on the Washington Advisory Board of The College Board (along with such diverse colleagues as Checker Finn and Joe Cronin) and although I participated in last year's special CSS Council meeting at Aspen to discuss "An Agenda for the Year 2000" and am here today at a CSS invitation, I am not here to present any particular "CSS viewpoint."

And now let me begin by saying what you all know well too well: that the public and institutional policy underlying student assistance, and thus underlying the profession of student financial aid administrator, is being badly frayed. That policy--our crumbling rock, as it were--is built upon a set of assumptions, each of which itself is a key public policy:

1. that all persons with any academic potential whatsoever should be encouraged to partake of some education beyond the high school and that no one with the interest and with some modicum of ability should be precluded from doing so by virtue of the low income of his or her parents and that the goal of such expanded higher educational opportunity is a public priority worthy of support from the taxpayer; and

2. that colleges are also strengthened by the ability to recruit and to matriculate students--at least some students--without regard to these students' ability to pay from their own and their parents' sources, and that this advantage justifies very substantial price discounting for at least some such students, particularly when endowments and current gifts can cover all or most of the costs, but that price discounting for marketing purposes only should be discouraged; and

3. that parents have the responsibility to contribute something--i.e., up to some level of sacrifice of current consumption or of depleted savings or of future incurred debt or perhaps of all three--to the higher education of their children, or at the very least to the undergraduate higher education of their children; and at least until the point when the child has left the parents' home and has become financially independent of them without the benefit of public assistance; and

4. that students, too, have some financial responsibility for their education, through the assumption of term-time work and of some debt, to be repaid after graduation and entrance into the workforce; and

5. that states shall provide higher educational opportunities at low (taxpayer subsidized) cost to all students and that the federal government (federal taxpayer) shall cover most of the costs of living that cannot be covered by parents and students' self help; and

6. that both state and federal taxpayers should provide some assistance to bring independent higher education--priced more nearly at its true cost--into reach for at least some students who are willing also to increase more substantial indebtedness and whom the independent institutions want enough to assist also with some institutional resources in order to buttress the competitive position of the higher priced independent sector and to provide some choice and diversity in the system. This is probably more of a state than a federal responsibility, dependent in part on the degree to which a state elects to maintain a substantial independent sector to do--with more richness and diversity--what would otherwise have to be done entirely by a very much larger state college and university system.

From these principles have emerged instruments for determining parental ability to pay; federal and state loans, grant and work programs to supplement, and now to overshadow, institutional funds for making up the difference between the

total dollars needed and the amounts forthcoming from students and parents; and a large dedicated profession, both within the colleges and also within the associated agencies, skilled at bringing together students, colleges, and resources to the end of making it possible to go to college. And even as I write and say these words, I'm again impressed at the importance of financial aid and of the financial aid profession.

But these principles, practices, and professions are fraying--or even eroding. I would point to six forces responsible for most of what makes your life difficult, and your future uncertain.

1. The serious eroding of the bedrock assumption of parental financial responsibility. You know the multiple reasons:

   * an already high and increasing proportion of undergraduate students who are older and who ought to be independent by anyone's standards--plus a great many whose claim to independence is at least arguable--coupled with a clumsy and litigious method of demonstrating independence;

   * an increasing proportion of students in the traditional age cohort whose parents have divorced or separated and remarried or not remarried or whatever--not an insurmountable problem, but a

tremendous strain on the already complex process of determining--not to mention actually getting--valid expected parental contributions;

* some diminution, at least to some observers, of parental willingness to sacrifice for their children, perhaps the same phenomenon as the seeming unwillingness of Americans today to save, to give, or to be taxed.

It is nice to assume that most college students are between the ages of 18 and 22, intend to go to college full time and preferably live in a dorm, and have two parents at home who gladly fill out the financial aid forms, show that they can pick up a good share of the load, and come through with the expected dollars. Nice, but not so.

2. <u>Seeming loss of public (taxpayer) support for the very goal of federal financial aid or even for maintaining the current federal share of college costs</u>. The Executive Branch and the Senate support very substantial cutbacks, and even the House seems reconciled to some. There is a powerful sentiment, currently in command in the Reagan administration, that federal student aid has become excessive and that a loss of federal aid will lead to increased parental support (particularly where subsidized student loans

have recently substituted for parental contributions), to lower faculty salaries and higher teaching loads, (in order to curtail tuition increases), to more appropriately frugal student living standards (the Bennet "D" for "divesture"), or to a return to the workforce by those whose grades aren't so good and who didn't really want to be in college much anyway. What we must not forget is that any or all of these effects are not merely acceptable, but highly desirable to the current administration and to very many Americans. Some of them, if we are very candid, are not altogether unacceptable to too many of us!

3. Crumbling of the old college compact ("the cartel") that once agreed to avoid price warfare and to concentrate available resources on the needy. Both Higher Education and OPEC can shore up the price when the demand exceeds the supply, but when supply again exceeds demand, those old lessons from Economics 101 come back with a vengeance. And as colleges have seen enrollments plummet, with much worse yet to come, and as the marginal cost of educating a student at some colleges falls nearly to zero, price cutting in the form of discounts or non-need aid will become inevitable.

Compounding this pressure to extend price discounts to the non-needy is the new "excellence movement," craving symbols and gestures for the academically able, coupled with a general loss of interest in the problems (or indeed even this existence) of the poor.

The result, although still small in total dollars, is a growing diversion of institutional dollars away from the kind of aid that creates opportunity for the student into the kind of aid that merely diverts choice (if even that) and relieves some burden from bright and able students and especially from their well-to-do parents.

4. Increasing vulnerability of the entire financial aid system, and possibly even of entire higher educational sectors, to the particular methodology, including the timing, of determining and revealing needs and awards. At one time, the CSS and later the ACT practices for determining "need," were not seriously questioned. Oh, parents could object to too high an expected family contribution, or a class of parents could object to the treatment of certain kinds of assets, or colleges could complain that the system gave too much "unmet need" over to colleges to handle. But the system or systems could easily withstand the little flurries.

With the advent of BOG-later-PELL grants and the discovery that manipulation of the schedules and of the timing of their release had great budget impact, the old systems were doomed. The principle of Uniform Methodology for the campus-based federal programs, formed with the blessing of all parties and executed through the National Student Financial Aid Coalition, promised to help, but it, too, was ultimately at the mercy of the Executive Branch--the gang that wants now to force a single needs analysis system and that knows very well how to cut federal aid expenditures by delaying or tinkering with the tables if need be. Public budgets must, in the end, either provide the funds or fail to do so. But the manipulation of "need" or the capping of recognizable costs or the delays in publicizing the tables--all seemingly designed to reduce the numbers of takers--is also undermining the fundamental assumption that there is some equitable way of determining an expected family contribution. And I might add that the "professional judgement" of aid officers, while probably necessary and of course primarily virtuous, can also do mischief and undermine the presumption that there is an objectively determinable expected family contribution.

5. Inter-sector rivalries. The independent sector for years has complained about the "unfair competition" of the nearby public college "giving away" essentially the

same product, and has sought remedy either through block or capitation grants to enable lower independent sector tuition across-the-board, or through pressure on state legislatures to raise public sector tuition much more rapidly, or through supplemental need-based aid that helps meet the higher costs for at least some students. The public sector, in turn, has resisted erosion of its low tuition principle and fears a diversion of public resources from its needs to what it views as, at least in part, the survival needs of private institutions. The damage done by such rivalry to the principles and practices of financial aid is the substitution of institutional and sectoral considerations for what was conceived to benefit students and society through the expansion of higher educational opportunities.

The edifice of financial aid, then, is fraying--but I would not say "crumbling." The declining relevance of parental support, the apparent decreasing commitment of public taxpayer support at least at the federal level, the weakening of the old cartel and the diversion of some institutional resources into non-need-based aid, the use and misuse of needs analysis methodology for purposes other than the expansion of student opportunity, and the complication of inter-sector rivalry and the special vulnerability of the independent sector: all of these are serious problems with which the profession must contend. But I

suspect, in the end, that the principles and practices of financial aid in the year 2000 will look very much like those of today--and, indeed, the cast of problems and challenges may not change much either.

To begin with, the underlying cost of education--the fundamental production function relating inputs and outputs--will almost certainly not change dramatically. To be sure, there have been some productivity gains during the last decade and one-half, measured at least by simple ratios of instructional and support staff per student credit hour, and the future may bring even more if hard times abound. But there is no way I can see to alter fundamentally the cost-per-year or cost-per-degree without major and wrenching changes in the time spent for the baccalaureate degree (ala the old Carnegie Commission recommendation for a three-year degree), or the number of hours spent in teaching by the average professor, or the number of students in an average class--and I do not see any likelihood of such <u>major</u> changes.

Nor do I see a fundamental, major loss of this nation's commitment to equal educational opportunity--nor to a concept of equal opportunity that puts at least some public resources into the goal of promoting choice and to the preservation of a healthy private sector as well as to the goal of sheer access to the least costly options. Education is far too valued...the principle of opportunity too imbedded in our hearts and in our public discourse...the vitality and political leverage of the independent sector too strong...the wealth of the nation too

great to permit a significant abandonment of the principles that underly the public taxpayer support of the financial aid system.

Nor do I see us able to abandon the principle of parental financial responsibility, at least for undergraduate education and at least for students within the traditional college-going age bracket. In some ways, I wish this principle could be abandoned; its erosion, as I mentioned earlier, has been massive and will continue. Were we beginning de novo a system of higher education finance, I am not at all sure that I would erect one with such a large and vital dependency on parents. But we do not have the luxury of de novo. And to abandon the expectation of a significant parental effort would at this time produce not only an enormous and quite impossible drain on state and federal tax bases, but would constitute an utterly unacceptable effective transfer of income from the not-so-well-off average taxpayer to the most affluent families. So, we're stuck with the parental contribution, with the task of simplifying and rationalizing it, and with the need to supplement it when it doesn't work--which will increasingly be the case.

Nor, finally, do I see the student as the recipient of a significantly larger (or, I might add, any smaller) share of the burden. Already, between one-quarter and one-third of all postsecondary students annually are borrowing, and the GSL program alone, at about $8 billion annually, is generating almost

one-half of the total aid available from all sources. I do not lament the emergence of student loans as a vehicle for allowing the student to bear a portion of the costs of higher education. The student is indeed a major beneficiary. The assumption of some costs may make him or her a more effective consumer--including the role of helping to restrain costs. And he or she is at least as able to handle this part of the load as is the average taxpayer. But a wholesale shift to student loans, even with long terms and low income forgiveness provisions, and away from parents and taxpayers is neither necessary, nor in the public interest.

If, then, the overall real costs of higher education will not change fundamentally, at least by the year 2000, nor will the basic concept of shared responsibility among parents, students, and taxpayers (except for an increasing portion of college-age youth, and therefore I hope an increasing proportion of college students, with little or no parental financial assistance), what of the mechanisms for putting these packages together--the tools and the training and the craft of the financial aid profession?

Here I am on even thinner ice than I have been up until now. But I have a general thesis, Alvin Toffler, John Naisbett, and all futurists notwithstanding, that we tend more often to overestimate the amount and the significance of change than to understate them, and my prediction, or better my "conjecture," for the future of the financial aid profession is no exception.

Of course, you will all be working at on-line terminals and have better information systems to calculate, store, analyze, and disseminate the various pieces of the student financial aid package to the recipients. But you all know all that; you are certainly ready for it; and most of you are at least part way there already. The demands upon your data for clues on how to maximize enrollments at minimum institutional costs will increase, as will the resulting tension between your role as advocate and soldier of expanded opportunity for students and your role as market specialist for the new high priests of enrollment management.

But role tensions are not new, nor should you be any more protected from them than any other profession, and I have every reason to believe that the financial aid profession can and will continue to serve students, families, admissions directors, vice presidents for enrollment management, vice presidents for business, state and federal agencies, auditors, and college presidents with the same combination of good grace and stomach ulcers that this audience exhibits today, and probably always has.

* * * * *

What then will be different? What challenges must be won and what questions must be answered--or do we just plod into the future carrying all the baggage of problems and issues that I and so many others have recounted, but never seem able to solve?

With all of the caveats I set forth in my introductory apologies--I am a college president interested mainly in the underlying principles, not so much the practice, of the financial aid profession--I will offer four general pieces of advice.

First, fight very hard for the bedrock principles of student financial assistance. Through your associations, your institutions, and on your own, fight especially for the principle of equal opportunity and expanded access to higher education for the poor, for the youth caught in the troubled school systems, for adults whom higher education passed by, and for minorities. Fight for a rightful share of this nation's resources, not for yourselves or for your colleges, but for these people who need financial aid to realize their aspirations. Don't compromise this goal, and don't let your elected representatives compromise this goal. The federal budget has to be balanced, but it does not need to be balanced by any retraction of public commitment to higher educational opportunity.

Second, don't give away--especially to those who are not necessarily friends of higher education or of students or of the principle of expanding access--all of the high ground of more effective aid targeting on the poor, of combatting fraud and abuse, and of upholding academic standards and integrity. You must resist a recurrence of MISA, by which many federal dollars were unquestionably squandered with no payoff in expanded opportunity for the needy. You must police yourselves and your accounting and disbursement procedures to lessen error and abuse.

And you must recognize that financial aid cannot serve as general welfare, and that it must be reserved for those who are serious enough about the opportunity for a higher education to maintain satisfactory academic progress. It is only when these issues become owned by those with other unfriendly agendas as well that such issues can do profound mischief. So, the profession must get off the defensive and on the bandwagons of efficiency and effectiveness and excellence, even as you fight for all the federal and state dollars necessary to do your job.

Third, find and embrace the best available response, now, to some of your most vexing technical problems, and stop looking for the perfect solution that answers all questions and does no damage but that also does not exist. Start with an answer to the dilemma of the proper duration of the parental responsibility. At what age and/or degree attainment of the child does the assumption of parental responsibility cease, either abruptly or in a gradual phase out. Live with the current federal standards, if you can. Adopt "rough justice," if you wish, and select an age above which all, and below which no, students are independent. Or, craft a sensitive and finely-tuned solution if you can. But come up with something, as a profession, knowing that your solution will leave some problems, but do so quickly before rough justice and possibly injustice is forced upon you.

While you are at the task of solving problems that are essentially technical but only imperfectly solvable, albeit of enormous consequence, come up with a need analysis procedure, or

conceivably a set of procedures, that best balance the clearly conflicting goals that we impose upon our need analysis practice. On the one hand, we want equity and sensitivity to special circumstances, both of which almost certainly call for multiple and complex instruments. On the other hand, we want simplicity and timeliness, for our and for our clients' sakes, and these objectives suggest Uniform Methodology and restraint in professional fine tuning.

At the same time, you and your federal friends must come up with a methodology that protects the realistic assessment of "remaining need" from financially motivated manipulation by the federal bureaucrats and yet recognizes that federal financial assistance is not yet by law an entitlement and that until it is both the Congress and the Executive Branch must protect their right to ration funds.

None of your problems, at least in principle, seems more unnecessary than the annual agonizing over the precariousness of Uniform Methodology and the uncertainty over the release of vital information on awards and award reductions. I know that this may be a bit like saying that the Israelis and the Syrians should not in principle fight over some arid hills and should therefore "solve something." But I also think that part of this methodological problem may be an unwillingness of all parties to acknowledge that there is no perfect solution, only a workable resolution, to the quandry of competing goals...that federal financial assistance must be as close to an entitlement as there

can be without being one...and that uncertainty and delay in the resolution of these methodological issues only in the end punish the student.

My fourth and last bit of advice for the future: plan to spend more and more of your time with students and families, both in and outside of your offices, and less time pouring over stacks of forms. You must be teachers and proselytizers and problem solvers, and your clients more and more will not be seventeen year-old college applicants and parents of same, but will be youngsters in the 8th, 9th, and 10th grades, adults who may be more daunted by college bureaucrats and by the prospect of application forms than by college professors and the prospects of examinations, single parents for whom the financial assistance forms just don't work, and by graduates seeking to combine part-time work, loans, and some kind of aid in pursuit of advanced degrees. Some of you will cease altogether to work for colleges and will be employed instead by governmental, non-profit, or even proprietary financial assistance planning agencies. All of you will know personal finance, tax laws, and a bit of family sociology, as well as the available aid sources.

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But as I said earlier, this is not so different from what most of you are already. The future is not so daunting for you--certainly no more so than for most other professions. But the importance of what you do, already profound, will only become more so. I just wish I had as much confidence in the future of other key professions as I have in yours.